

A Call to Reason – And Action
An Open Letter to America's Elected Leaders

July 25, 2011

Dear Mr. President and Members of Congress,

The undersigned state and local government pension funds and plan sponsors from across the country represent more than 7.7 million active and retired members with combined assets in excess of a trillion dollars. We work on behalf of millions of Americans; firefighters, teachers, nurses, policeman, government workers and others who save for their retirement through our pension funds.

The hard-working people we serve are the nation's savers; they want a strong future for America because their economic future depends on it. But today our nation's economic future is in doubt, and so is America's financial leadership in the world. Our country faces threats to its economic well-being that will inflict pain and hardship on all our citizens for many years to come if we fail to act - and act now.

America is now a debtor nation and it must show the world that the nation's word is its bond. It is critical that the debt ceiling be raised to avoid a default. But raising the debt ceiling just addresses the immediate problem of default. The huge budget deficit, both current and long-range, is the real problem.

As custodians of Americans' savings, we strongly urge Congress to reduce the deficit. Without a credible action plan from Congress to reduce the budget deficit, the U.S. debt will likely be downgraded by one or more rating agencies.

The idea of America losing its AAA rating was once unthinkable, but now highly likely if our leaders fail to act. If that were to happen, six countries, including France and Germany, will have credit ratings above that of the United States, signaling America's diminished ability to pay its debt. And, make no mistake about it: the consequences of such a downgrade are very real and very serious.

Interest rates today are low. But a rating downgrade inevitably means higher interest rates - not necessarily immediately but over the course of years to come. As a nation, we are highly dependent on foreign purchases of our debt. With a weakening US outlook, global lenders will demand a higher return for assuming the increased risk – and many investors will simply give up on America and seek other places to put their money.

In addition, the US inflation rate has been much lower than that of other countries because we are a reserve currency for investors worldwide. If we are no longer among the highest rated government borrowers, investors will seek other currencies to store their wealth. The decline in

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the value of the dollar will intensify inflation risk in the future, which will further erode our standard of living.

This fallout will be felt all across America. It will mean fewer and more expensive loans for homes, cars and college expenses as rates rise and credit becomes even harder to secure than it is now. The decline in the value of the dollar will eat into retirement savings. Businesses will find it too expensive to create jobs. Ultimately and most painfully, economic growth for our nation will stall for years to come and diminish the quality of living across America. All of this fallout will have a devastating impact on our portfolios.

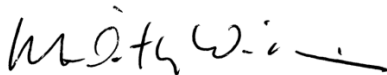
Such a devastating outcome is by no means inevitable if you, as our elected representatives, put our nation's interests above party and politics. We urge you to act with unity of purpose and spirit of commitment – and to act now.



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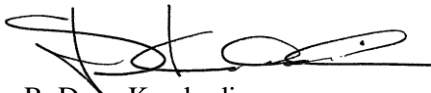
Karen Carraher
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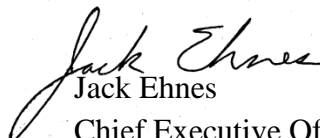
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